

FUNCTIONAL FOOD MARKETING IN HUNGARY

ABSTRACT

Health consciousness and prevention are now in the limelight of the media in Hungary. More and more consumers recognized the importance of healthy eating habits in prevention. In this paper we defined health- marketing and functional food then took a closer look at the functional food market, consumption of functional foods, product trends and the main marketing approaches. This paper contains our empirical research findings on functional food consumption in Hungary. In this paper marketing managers will find valuable pieces of information on market segmentation of, the main target groups and the most successful positioning strategies in the functional food market in Hungary.

KEY WORDS

Health marketing, functional foods, life marketing approach, death marketing approach, target groups, positioning strategy, market segmentation

INTRODUCTION

Nowadays, health marketing gains more and more importance in Hungary. Discoveries and research results of the last decades confirm that nutrition has a significant impact on the human health. Being aware of this, consumers in developed countries like Hungary devote greater and greater attention to preserving their health, obtaining more and more information about healthy life-style. Consumers focus on prevention instead of treating diseases, which affects their relationship towards foods, too.

1. Health Marketing

Health Marketing is a multidisciplinary area of public health practice. This innovative approach draws from traditional marketing theories and principles and adds science-based strategies to prevention, health promotion and health protection. Drawing from fields such as marketing, communication, and public health promotion, health marketing provides a framework of theories, strategies and techniques that can be used to guide work in public health research, interventions, and communication campaigns.

Definition of Health Marketing according to the Centers for Disease Control and Prevention is the “**creating, communicating, and delivering** health information and interventions using customer-centered and science-based strategies to protect and promote the health of diverse populations.” (CDC, 2005).

Health Marketing therefore can be considered as (CDC, 2008):

- “A multidisciplinary practice that promotes the use of marketing research to educate, motivate and inform the public on health messages.
- An integration of the traditional marketing field with public health research, theory and practice.
- A complex framework that provides guidance for designing health interventions, campaigns, communications, and research projects.
- A broad range of strategies and techniques that can be used to create synergy among public health research, communication messages and health behaviors.”

2. Functional foods

The literature gives various definitions of functional foods. There has not yet been a generally accepted definition of functional foods as professionals had not come to a common agreement regarding what products belong to this category and what do not; and whether food supplements or medicine like powder and capsules also belong to functional foods category. Different approaches more or less share the opinion that these foods convey health benefits and have a favourable effect on general state of health. According to Childs and Poryzees (1998) the products which have any special positive impact on our health are called nutraceuticals or nutritional foods, pharma food

or medical foods, designer foods or super foods. In many cases they commonly go under the category of functional foods.

Functional food or medicinal food is any fresh or processed food claimed to have a health-promoting and/or disease-preventing property beyond the basic nutritional function of supplying nutrients, although there is no consensus on an exact definition of the term.

This is an emerging field in food science in which such foods are usually accompanied by health claims for marketing purposes, for example, a certain "cereal is a significant source of fiber. Studies have shown that an increased amount of fiber in one's diet can decrease the risk of certain types of cancer in individuals."

According to Health Canada (2009) "a functional food is similar in appearance to, or may be, a conventional food that is consumed as part of a usual diet, and is demonstrated to have physiological benefits and/or reduce the risk of chronic disease beyond basic nutritional functions, i.e. they contain bioactive compound.

A nutraceutical is a product isolated or purified from foods that is generally sold in medicinal forms not usually associated with foods. A nutraceutical is demonstrated to have a physiological benefit or provide protection against chronic disease."

According to the Organic Food Directory (2009), functional food: as defined by the Institute of Medicine in Washington, are those foods that encompass potentially healthful products including any modified food or ingredient that may provide a health benefit beyond the traditional nutrients it contains. Functional foods can include foods like cereals, breads and beverages which are fortified with vitamins, herbs, or nutraceuticals.

3. The market of functional foods

Functional foods in Hungary are innovative products. Product innovation is fed by the shifting trends in consumer behavior. Moreover, the Hungarian economy is extremely open and reacts very sensitively to the international market changes. Hungarian consumers are highly motivated to follow international trends and accept new consumption patterns. Therefore a closer look at the international functional food markets is essential before saying anything about functional food consumption in Hungary.

The growth rate of sales of functional foods on the global market amounted to 35% between 2002 and 2004; and the forecast is 27% for the period of year 2004-2009. The most dynamically growing regions are Latin America, Eastern Asia and Eastern Europe, where the market share was as high as \$4 bn in 2004. The rapidly expanding economies - for instance Hungary, due to changes in consumption patterns - have considerable growing potentials. Health consciousness in these countries is gradually rising and as a result, the demand for functional foods is increasing. Longer and more intensive working hours, stress, urbanisation and economic growth also contribute to the growing demand for functional foods. Euromonitor International projected 20% growth in

functional food consumption in the new economies for the period of 2005-2009. In Russia, Poland and Hungary the growth rate will be lower and their market share in this segment of the food industry will not be considerable.

The current economic crisis has negative effect on food consumption in Hungary. It is very hard to see now what future brings in this market segment in Hungary. According to local experts, food consumption will slump, especially in the mid-priced segments of the market.

The driving forces of the consumption of functional foods on the global market are as follows:

- growing salaries of managers (middle and top),
- liberalisation,
- more and more intensive marketing campaigns,
- involvement of retail networks which are the most effective points of sales,
- better customer attitudes to wellness and health-consciousness,
- overweight and functional malnutrition as symptoms.

The strictness of legislation is the most serious factor which prevent the expansion of the functional food market since it enforces strict regulations to labelling the products and to markings applied in advertisements.

4. Consumption and product trends

The market of functional foods is constantly changing. The consumers' needs are getting more refined and product requirements are getting more complex. These factors should be taken into consideration in the innovation process of functional products.

According to Sloan (2006) health and health related other factors will play a more and more essential role in food consumption in the years to come as the demand for more convenient, delicious and efficient foods will increase. She identified the Top 10 Trends in the sector of functional foods:

- Children at risk: a growing number of children are struggling with obesity, high blood pressure and three types of diabetes. The future challenge is to develop healthier foods for children.
- Low calorie foods: in order to avoid obesity consumer awareness of eating low calorie foods and drinks is growing.
- Phytochemicals: sales of antioxidants in the USA increased by 20% in 2007. Four of every ten consumer say that they eat fruit and vegetable to prevent being getting ill.
- Multiple benefits: Functional foods are expected to solve several issues at the same time. They have to be effective in the case of obesity, to prevent the development of high cholesterol level and to develop protection against heart diseases.

- Healthy fats: due to the growing popularity of omega-3 fatty acids consumers are opting to healthier oils. They avoid the consumption of unhealthy types of fat.
- Mature matters: almost in every affluent society the population ages and the number of elderly people are growing. Their demand for functional foods is increasing.
- Glycemic index, gluten and grains: low-glycemic-index products will gain more and more popularity in the future. Gluten-free products will carve a bigger share in restaurants. The multifaceted health benefits of whole-grain products is gaining universal recognition.
- Natural solutions: sales of organic food is expected to increase.
- Boosting performance: a lot of consumers are very concerned about their energy level and eat functional food to gain extra energy
- Fun favourites: almost every consumer expects healthier versions of their favourite foods: beverages made with 100% real fruit juice, calorie burning soft drinks.

5. Key factors of functional food marketing

There is a great need for good products, but it is not the main precondition of market success. Marketing aimed at promoting the product also has to be success-oriented. The most basic rule is to get to know and understand the consumer. Consumers being targeted by functional foods are usually well-educated, well informed and wealthy. The basic objective is to map their needs. In order to be successful in the market the message has to be repeated several times: firstly on the label, then in the media, and in the doctor's office. The message primarily has to highlight the most important benefits of the product. Scepticism will always exist, so special attention has to be paid to trainings and education of consumers. Consumers can be asked: "Do you want to take care of yourself more?" If so, try this brand and have some functional foods.

According to several studies consumers are not very responsive to food innovations. Consequently, the marketing of functional foods has to focus on health benefits, (for instance cancer issues) and shaping a healthy image (e.g.: You will feel better if you consume functional foods or You will be healthier and happier, etc.)

There are two basic approaches to functional foods:

- life marketing
- death marketing.

Death marketing approach is based on negative motivations, for instance to avoid illnesses while life marketing is built on positive motivations: for instance to be healthier, to look better, and to feel better than now.

According to the life marketing approach functional food has an added value (e.g.: increases intellectual potential). In the advertisement it is advisable to apply bright colours, eye-catching pictures, slogans like 'pleasure of wellness'. The product is a mixture of health plus convenience plus pleasure (hedonism). Priority has to be given to pleasure. Probiotics are the best example of the manifestation of life marketing approach.

Death marketing approach concentrates on special diseases or state of health, for instance drugs reducing cholesterol level. In this case communication has to be more objective, factual and credible (scientifically verified). The message has to explain the development of some kind of a disease, too. Tested scientific results can also be used in the message. Consumers are motivated by their own fears and concerns.

Life marketing is especially effective when health benefits are communicated in the message. Credibility of the message is of utmost importance.

6. Empirical research

In order to map functional foods' consumer behaviour in Hungary, we conducted marketing research (phone interviews, questionnaire survey, focus groups) in December 2006. 383 people were included into the sample (the reliability level is 95%, confidence interval is 5%). We used quota sampling, with female respondents overrepresented (59.04%) in the sample.

Our most important research findings are as follows:

- Leading a healthy way of life is important for Hungarian consumers.
- Consumption of healthy foods comes to the consumers' mind first when they think of healthy life style.
- Respondents consider cancer, heart coronary diseases and high blood pressure the most serious diseases.
- Eating healthy food was considered as very important to respondents.
- On the top of the list of TOP 10 healthy foods were vegetables and fruit.
- Consumers were ill-informed about functional foods as most of them never heard about this category.
- The most important motives of purchasing functional foods are as follows:
 - they have a favourable effect on health,
 - they have preventive nature
 - and they improve the state of health generally.
- Every second respondent was worried about his performance and wanted to boost it.
- Weight consciousness played an important role in the life of 40% of all consumers
- Hungarian consumers believe that functional foods cannot replace medicines.

We applied factor analysis and found that respondents considered functional foods as having preventive functions and producing beneficial effect on people's health. The

performance boosting function of the functional foods was linked with their modern and trendy concept.

High prices of functional foods, their poor availability and ill-informed people considerably prevent the consumption of functional foods. These unfavourable factors have to be eliminated before the introduction of functional foods on the market. Primarily high prices produce negative impact on their sales. Only few respondents thought the taste of functional foods is not as good as the “traditional ones”; and even less did not like their design (packing). The fact that consumers were ill-informed largely contributed to low sales. There were only a few respondents who did not trust functional foods.

Consumers can accept premium prices of functional foods. The majority pay 10-20% more for them, but a lot of buyers are willing to spend even 20-50% more. Products containing sunflower are sold with an extra.

In the buying process of functional foods special attention has to be paid on the doctor’s advice, product labels and the opinion of reference groups (friends, family members) as sources of information in the information search phase. The product label is an essential source of information. The opinion of reference groups is a driving force. Whereas advertisements has only a little effect on consumers.. Almost every consumer agrees with the introduction of a trademark for functional foods. It would be advisable to initiate its guaranteed issuing as this move would provide consumers with an objective information about the product and the reliability of the message it communicates.

While the factors of communication variables were analysed two components were separated. Taking them into consideration it became obvious that the doctor’s advice played a more important role than the brand name or the commercial advertisement. As a result of this it can be stated that if we want to be successful in this field, our communication has to target not only conventional ATL methods, but to place the opinion makers in the centre of our communication mix because of the confidential character of the product.

7. Market segments

In order to segment the market we conducted cluster analysis. We managed to identify four segments and named them after their typical characters.

The demographic variables of the segments are shown in the Table 1:.

TABLE 1
Demographic variables of the segments

	Health conscious females	Mothers of the family	Distrustfuls	Managers
	K1	K2	K3	K4
age	26-35 years	35-59 years	60 + years	14-25years, 26-35 years
sex	female	female	male	male
marital status		married	married	single
residence	county seat, other cities	county seat	county seat, other cities	Budapest
occupation	unemployed, retired	entrepreneur, intellectual	manual worker, retired	student, entrepreneur, intellectual
leading position	no	yes	no	yes
net income per capita	50-100 000 HUF	under 50 000 HUF	100-150 000 HUF	above 150 000 HUF

Source: Piskóti and Nagy (2007)

Table 2 shows the characteristics of the market segments.

TABLE 2
Segment characteristics

	Health conscious females	Mothers of the family	Distrustfuls	Managers
	K1	K2	K3	K4
How important do you consider healthy eating habits?	very important	more important than the average	less important than the average	more important than the average
How important do you consider healthy lifestyle?	very important	more important than the average	less important than the average	more important than the average
What means a healthy lifestyle in your life?		doing sports		wellness
What diseases do you worry about?	cancer	obesity		immunological
Have you heard of functional or health-enhancing foods?	less than the average	more than the average		
They boost my performance	xx			
They improve my state of health	xx	x		
They have a favourable effect on my health	xx	xx		x
They are trendy, modern foods.	xx	xx		x
They help prevent certain diseases.	xx	x		
They help keep my weight	xx	x		
They replace drugs	xxx	x		

Source: Piskóti and Nagy (2007)

TABLE 3
Segment characteristics 2

	Health conscious females	Mothers of the family	Distrustfuls	Managers
	K1	K2	K3	K4
Higher prices of FF than the average	nn	x	n	xx
Worse taste of FF than the average	x	n	x	x
Worse appearance of FF than the average	x	nn	x	x
Little information is available about FF (I do not know them)	x	x	x	
Poor availability of FF			x	
I do not trust favourable effects of FF	average	more than average	does not believe	hesitates
What is the maximum amount you would spend on FF compared to conventional ones?	more than the average (22-23%)	average (14%)	less than the average (7%)	average (15%)

Source: Piskóti and Nagy (2007)

TABLE 4
Segment characteristics 3

	Health conscious females	Mothers of the family	Distrustfuls	Managers
	K1	K2	K3	K4
brand name			nn	xx
information about ingredients		xx		
opinion of friends, family members	n	x	n	x
commercial advertisements	n	n	n	x
doctor's advice	n	xx		n
How much do you agree with the introduction of trademark for FF to make them easily recognisable?	xx		n	x

Source: Piskóti and Nagy (2007)

Indications:

x - above average

xx - extremely above average

n - below average

nn - extremely below average

FF – functional foods

8. Target groups

Having considered consumption trends, orientations as well as findings of our primary research, three main target groups can be defined:

Health-conscious youngsters

These people are able to identify the health hazards. Most of them need healthy meals which have a serious effect on their everyday general state of health. It is important for them to build up their self –image, and they are significantly influenced by fashion and style, and different means of communication (mainly the internet). This is very typical to the young generation of those who aged 18-30 spending their time studying, doing sports and having fun. They are main consumers of ready made products.

Mothers of the family

These consumers are based on nurturing and modern family approach. It comprises parents who teach their children how to lead a healthy way of life and eat healthy food from their birth, housewives who care about their family members and females who wish to be healthy, stay young and beautiful. Modern way of thinking combined with race and simplicity lays emphasis on health. They are consumers of food and beverages rich in fiber and low in fat and sugar. Apart from consuming ready-made food they are the major consumers of semi-ready products. This segment is the largest.

Decision makers

The members of this target group are in leading positions (managers), lead a stressful way of life and suffer from lack of time. Prevention of diseases, increase of their performance and wellness are in the focus of their food consumption. The race is an essential part of their lives and inseparable from their occupation. Prestige is important for them, too. They are main consumers of ready-made foods.

9. Conclusions

In order that a new functional food can become a market success, a well-defined positioning strategy. is required. According to Gilbert (2000) there are five golden rules (positioning strategies) for positioning functional foods:

- **Prevention:** The consumption of functional foods can prevent the development of certain diseases. Key words used in their positioning are: long life, good quality of life.
- **Performance:** We communicate that we can be healthy and our physical and mental abilities increase if we consume functional foods. The emphasis is on daily health, accomplishment and success.
- **Wellness:** for consumers wellness benefits of functional foods mean feeling good and finding balance. These goods have to embody holistic approach: the

unity of health, body, spirit and soul. Emphasis is laid on daily health needs, moderation and variety.

- **Nurturing:** Foods the consumption of which supply the feeling of caring for the health of others and their quality of life and builds on the sense of satisfaction for the caregiver: I have done something for the others today, too. The key words are growth, development and healing.
- **Cosmetics:** The consumption of functional foods makes you look beautiful and better than the others. It increases self-esteem through improved physical condition and acceptance of personal appearance.

In Hungary, in different consumer segments different positioning strategy is required. In the Health-conscious Youngsters segment cosmetics, wellness and performance positioning strategy are expected to work, while in the Mothers of the family segment positioning strategy must be based on the nurturing and prevention approach. For being successful in the Decision makers segment, marketers of functional foods should use the wellness and performance positioning strategies.

In order to achieve market success by innovation the following steps have to be made when introducing functional foods on the market:

- To identify the relationship between the composition of food and its effect on health
- To highlight the efficiency of functional foods: how much food has to be consumed to achieve the desired results
- To justify the safety of consumption of functional foods
- To develop functional food enhanced with bioactive components
- To apply scientific justification to prove the favourable effect of functional foods
- To communicate consumer benefits
- To test their safety and efficiency on the market

With all the above steps implemented, the market success is in the doorstep.

Considering the current economic crisis in Hungary, the best target group is the Decision-makers segment as they have enough resources to purchase functional foods and pay the extra for preventing diseases, boosting their performance and being healthy as much as possible to keep their jobs and the living of standard they got used to earlier.

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